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C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 001178

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TAGS: ECON

SUBJECT: SUCCESSFUL AML CONFERENCE OPENS DOOR TO GREATER  
BILATERAL COOPERATION ON COMBATTING FINANCIAL CRIMES

REF: A. KUWAIT 1021

Classified By: Economic Counselor Oliver John for reasons 1.4 (b and d)

¶1. (C) Summary. As part of post's on-going engagement with the GoK on anti-money laundering and terror finance issues (Ref a), Embassy Kuwait and an interagency USG team from State, Treasury and Justice supported the National Anti Money Laundering (AML) Committee's third annual AML conference (hosted by the Ministry of Commerce and Industry) December 6 -10, 2009. Ambassador Jones, in her opening remarks, applauded Kuwait's efforts in building awareness on this important issue, in providing a venue to share experiences and expertise, and in seeking better enforcement options to combat financial crimes that are frequently employed by narcotics traffickers and terrorists. The presentations from USG AML experts were well received throughout the week-long event. The head of the Ministry of Commerce's office responsible for AML issues, Sheikh Nimer Al-Sabah thanked Econoff for the USG's support in developing program content and securing speakers who demonstrate vast experience and technical expertise that "gave a great deal of credibility to the conference". Twenty-two GoK representatives discussed progress made with regard to controlling the financial system, investigation and prosecution of financial crimes, improved oversight of charitable activity, and the need for inter-government cooperation to adequately deal with the problem of money laundering. The conference brought together a diverse group of over four hundred men and women representing over thirty government entities and twenty eight private sector organizations and was widely covered in the Kuwaiti press. The Minister of Commerce was effusive in expressing to the Ambassador his appreciation for the USG role in the event's success. Consonant with our strategy of engagement and positive reinforcement in pursuit of our counter-terror financing agenda in Kuwait, USG engagement in this case helped build a stronger constituency for advocacy of greater financial oversight, including passage of pending comprehensive AML/TF legislation, which was publicly endorsed by the conference. The success of the event has opened doors for expanding future bilateral cooperation, to include the possibility of future training activities focused on detection, investigation and prosecution of financial crimes, including terror financing. End Summary.

Five days was not enough...

¶2. (U) The Minister of Commerce and Industry invited Ambassador Jones to kick off the five day conference which focused on building public awareness, discussing current GoK AML efforts, and presenting FATF requirements. USG

presenters from State INL, Treasury OTA and Justice RLA presented case studies from the perspective of enforcement, legal authority, and regulation. GoK presenters from the Ministries of Interior (MOI), Commerce and Industry, Foreign Affairs, and Social Affairs and Labor, Kuwait Court of Appeals, Central Bank of Kuwait, Customs Administration, Kuwait Bar Association, Kuwait University Law School, Bank Studies Institute, and Kuwait Auditors Society discussed their respective role in combating financial crimes. The event was well attended by GoK officials and private sector representatives from both financial and non financial entities. The press attended each day and gave uniformly positive coverage of the event which seemed to have 'broken the ice' on Kuwait's ML debate. The tone of the coverage shifted from "we have no ML here" to "yes we have a problem and need help."

¶3. (U) The response from participants was consistent with press reports and indicated that, even with five days, there was not enough time to cover the material as deeply as some participants wanted. Econ specialist's impromptu participation evaluation revealed that attendees felt the conference was worthwhile, informative, and increased their overall awareness of money laundering. However, attendees wanted more. They noted that some of the unfamiliar concepts surrounding money laundering required more time for in-depth explanations; others stated that the topics were understood, but there needed to be more in depth discussions about enforcement, especially since current laws are confusing. Several conference attendees told Econoff that the USG technical presentations significantly enhanced the quality of

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the conference. Attendees stated that because the USG officials could speak from years of field experience, provide specific real life case examples, and answer questions with great detail, "time away from jobs for the conference was well spent".

Pressure to pass new AML law

¶4. (SBU) GoK presenters highlighted the inadequacies of the current AML law and discussed some of the proposed amendments which they expect to bring Kuwait into compliance with FATF recommendations. According to Dr. Yousef Al-Zalzalah, the Chairman of the National Assembly Economic and Finance Committee, the draft AML law (law no. 328 for the year 2009 entitled 'Combating Money Laundering and Terrorism Financing') is now with the National Assembly and "will take its role on the priority list". According to GoK officials, the amended law no. 328 will address many of the inadequacies of the current law including the following:

- Definitions for Terrorism and Terrorism Financing;
- Re-defining the Financial Intelligence Unit (FIU) and its assignments to meet FATF standards;
- Expanding the definitions for money laundering crimes.

¶5. (U) Col. AlZabi, the Director of the Ministry of Interior's, Anti-Financial Crimes office told conference attendees that initial investigations of a money laundering crimes often end in prosecution of a related financial crime, rather than money laundering. He noted that as of November 2009 there were thirty cases under investigation, five more than the previous year, in which two were found to involve funds from illegal sources. Four cases were violations because the identity of the customer and/or information about the account origin was concealed, and one case is still under investigation. He stated that defendants were referred to the public prosecution for the primary crimes (i.e. forgery). He described results of MOI investigations which revealed ways criminals launder their funds including purchasing stocks, real estate investments, false insurance policies, and money transfers between multiple accounts nationally and

internationally. Col. AlZabi stated "the current law has defects that do not fit with international requirements".

Let's Keep the Momentum Going...

¶6. (U) The conference concluded with a statement from MoCI thanking the USG for support and encouraging continued efforts in combating money laundering. Participants responded favorably to the comprehensive list of 'next step' recommendations that Shaykh Nimer Al-Sabah presented during the last session of the conference:

- 1-Ratify draft law 328 for 2009 regarding combating money laundering operations and TF;
- 2-Develop training programs to improve the supervision tools of the competent authorities;
- 3-Allow Money Laundering Competing Operation Office, MoCI more responsibilities to issue relevant policies related to the measures of combating money laundering;
- 4-Counter all types of corruption and activating the regulations to eradicate all forms of corruption;
- 5-Strengthen the relationship between the domestic authorities and counterparts in Arab and friendly countries;
- 6-Activate the roles of societal syndicates and related associations to participate in the government activities for combating money laundering;
- 7-Allocate funds to develop specialized AML research tools;
- 8-Establish a massive database that includes the regulations and statistics related to AML's issues in all countries;
- 9-Support and encourage initiatives to establish new associations, unions and syndicates specialized in the field

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of AML;

10-Hold summits and seminars to increase the awareness of the public.

In summary, the recommendations included increased coordination between responsible authorities, continued training on the issue related to money laundering, and an improved legislative framework by ratifying the law. The recommendations were submitted to Ahmed Al-Haroun, Minister of Commerce and Industry, who is expected to take action and support continued efforts to combat money laundering, including pressuring the national assembly to pass the amended AML law no. 328.

¶7. (C) Comment. Active US participation from recognized experts, who have years of technical experience and can answer questions and lead discussions, gave credibility to the conference and put a more positive spin on a bilateral dialogue on CT and financial crimes which has previously been characterized by the Kuwaitis as accusatory and judgmental. Clearly the week-long dialogue has jump-started cooperation and pointed the way forward for future discussions. The AML conference will help support Kuwaiti regulators who are already endeavoring to take action to combat money laundering and monitor charitable giving; will focus welcome public attention on this critical issue and build awareness, and may also serve to build a stronger constituency to advocate for Parliamentary passage of a pending AML/Terror Finance law.

¶8. (SBU) Comment Continued. The conference demonstrated both the need for (and Kuwaiti interest in) technical assistance for financial investigators and prosecutors so that they can better use the legal tools at their disposal. Post believes

that such training will continue to empower those who seek passage of more comprehensive legislation. The upcoming March 2010 MENA FATF review will provide a suitable and usefully uncontroversial framework within which US engagement can be structured to address a wide range of issues, including capacity building for enforcement and prosecutions, financial sector supervision, the cash courier issue, and financial intelligence unit (FIU) training. Post will continue to work with the GoK on a plan for continued cooperation to accommodate these priorities. End Comment.

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